

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

December 14, 1948

CIRCULAR NO. A-38
(Formerly Bulletin No. 1947-48:11)

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Furnishing information concerning compensation of Federal employees to States and other governmental units taxing compensation for personal services

This Circular replaces and rescinds Bulletin No. 1947-48:11, dated December 4, 1947.

1. Purpose and policy. The following instructions are promulgated for reporting to States and other taxing authorities information concerning compensation paid to officers and employees of the Federal Government. This is in accordance with the policy heretofore established by the Director of the Bureau of the Budget, with the approval of the President, for the reciprocal exchange between the Federal Government on the one hand and State and other governmental units on the other, of information concerning the taxable income of their respective officers and employees.

The inclusion of any State, city, or other taxing authority in this Circular or the supplying of information by any Federal agency in accordance with the instructions herein, does not constitute an expression as to the actual tax liability of any particular Federal employee. The question of legal liability in any individual case is, of course, to be settled between the individual and the State, city, or other taxing authority on the basis of the particular facts of the case.

Any taxing authority receiving information under the provisions of this Circular should furnish copies of its income tax law and regulations to the various Federal agencies and offices affected, as an aid to employees who seek to determine whether they are individually liable for the tax. Such taxing authority should also assist Federal Government officials in arranging all possible procedural short cuts that might save labor and expense for the Federal Government in preparing information needed by the taxing authority.

2. States and other taxing authorities to which information shall be furnished. The States, cities, and other taxing authorities listed in the Appendix to this Circular, tax compensation for personal services and have requested information concerning compensation paid to Federal employees. Such information shall be furnished to these taxing authorities and, it shall also be furnished, upon request, to any other taxing authority which taxes compensation for personal services.

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In certain locations, it may be necessary to give information for the same employee to more than one taxing authority. This situation will arise when the tax is imposed both at place of residence and at place of employment. It also could arise when the tax is imposed by each of two overlapping jurisdictions, e.g., a State and city or (as in Pennsylvania) a city and a school district. Under these circumstances, the information should be supplied to each jurisdiction requesting it.

3. Forms to be used. At the close of each calendar year, when statements are prepared on Forms W-2 and 1099 of the Treasury Department respecting compensation paid Federal officers and employees and Federal income taxes withheld, extra copies shall be prepared for the information and use of those States, cities, and other taxing authorities which come within the scope of paragraph 2. Form W-2b has been provided for the purpose of furnishing extra copies of the withholding statement Form W-2. Supplies of Form W-2b may be procured from any Collector of Internal Revenue. Forms W-2b or 1099 should be sorted according to State and other taxing authority of residence. In cases where the employee resides in a jurisdiction outside of the one in which he is employed, additional copies should be prepared for the State and city or other taxing authority in which he is employed if they tax compensation for personal services and if they come within the scope of paragraph 2. The copies for each State, city, and other taxing authority should be forwarded with a letter of transmittal to the appropriate agency or official.

4. Use of pay roll lists. When expense and labor can be saved by supplying the State, city, or other taxing authority with lists containing the same information that would otherwise be supplied on Forms W-2b or copies of Forms 1099, this procedure may be followed.

5. Questions pertaining to subject matter of Circular. Questions concerning the provisions of this Circular should be addressed to:

Mr. W. B. Hill, Practice and Procedure Division
Income Tax Unit, Bureau of Internal Revenue
Washington 25, D. C.

Telephone -- STerling 8400, Extension 2244
(Government Tie Line 165)

Attachments

JAMES E. WEBB
Director

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